

2010 Development Services Operating Budgets & Projections

Agenda

- **Background**
- **Fee Model Methodology**
- **Operating Budgets & Projections**
 - Building
 - Planning & Urban Design
 - Engineering
- **Next Steps**

Background

- **Town has authority to collect development fees through the Building Act, Municipal Act and the Planning Act**
- **Fees are based on anticipated direct and indirect costs to the municipality for Building permits & development applications**
- **Current Fee Model framework has been used since 2005 and has been updated annually**
- **Markham Fee Model is based on a rolling 5 year average volume of development activity (e.g. for 2010, used 5 year average from 2004 to 2008)**

Background (continued)

- **Fees collected in any one year may be greater than or less than total required to cover expenditures since projected activity may be different from 5-year average activity**
- **There are 2 Development Fee reserves:**
 - Building Reserve: Building Department
 - Development Fee Reserve: Planning & Urban Design and Engineering
- **Reserve Balance approach:**
 - Surplus Year: transfer to reserves
 - Deficit Year: transfer from reserves

Methodology

Step 1: Determining the Rate per Application

5 Year Avg. # of applications (2004-2008)	10	a
2009 Rate per Application	<u>\$100</u>	b
5 Year Avg. revenues (2004-2008)	\$1,000	c = a x b
2010 Budgeted Expenditures	\$1,100	d
Shortfall	<u><u>(\$100)</u></u>	e - c - d
Maximum allowable increase	10%	f = e / c
2010 Rate per Application	<u><u>\$110</u></u>	

Methodology

Step 2: Applying the Rate to the Budget

	<u>Breakeven</u>	
2010 # of Applications	10	a ←
2010 Rate per Application (10% included)	<u>\$110</u>	b
2010 Budgeted Revenues	\$1,100	c = a x b
2010 Budgeted Expenditures	\$1,100	d
Surplus/(Deficit)	<u><u>\$0</u></u>	e = c - d
Budgeted Transfer to/(from) Reserves	\$0	

- Deficit – 2010 # of Applications is less than breakeven, transfer from reserves
- Surplus – 2010 # of Applications is greater than breakeven, transfer to reserves

2010 Development Services Operating Budgets & Projections

Building

Operating Budget and Reserve Balances (\$ in 000s)

Residential Permits/ Year	3,272	3,569	2,355	2,635	1,080
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	2006 Actual	2007 Actual	2008 Actual	2009 Budget	2009 Proj.
Revenues	6,390	7,977	6,230	6,972	4,128
Less: Expenditures	6,799	6,623	7,389	7,346	7,083
Transfer to/(from) Reserves	(409)	1,353	(1,159)	(375)	(2,955)

Building Reserve Beginning Balance	2,627	2,218	3,571	2,412	2,412
Transfer to/(from) Reserves	(409)	1,353	(1,159)	(375)	(2,955)
Building Reserve Ending Balance	2,218	3,571	2,412	2,038	(543)

Consultant Information

- Due to the downturn in the economy in early 2009, Altus Group was hired by the Town to prepare a forecast on residential building permit activity in Markham
- Altus Group is one of Canada's leading real estate consulting companies providing independent, professional real estate services
- The forecast covered 2009-2012 and incorporated regional and municipal estimates along with current servicing allocation issues to determine the permit activity for low and high-rise residential buildings
- Staff incorporated Altus' recommendations in development of the 2010 budget and the 2011-2012 forecast

2010 Development Services Operating Budgets & Projections

Building Operating Budget and Reserve Balances (\$ in 000s)

Residential Permits/ Year	3,272	3,569	2,355	2,635	1,080	1,305	1,725	2,415	2,765	2,765	2,765
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	2006 Actual	2007 Actual	2008 Actual	2009 Budget	2009 Proj.	2010 Proposed Budget	2011 Fcst	2012 Fcst	2013 Fcst	2014 Fcst	2015 Fcst
Revenues	6,390	7,977	6,230	6,972	4,128	4,432	5,663	7,549			
Less: Expenditures	6,799	6,623	7,389	7,346	7,083	6,811	7,015	7,226			
Transfer to/(from) Reserves	(409)	1,353	(1,159)	(375)	(2,955)	(2,379)	(1,352)	324			

Building Reserve Beginning Balance	2,627	2,218	3,571	2,412	2,412	(543)	(2,922)	(4,273)			
Transfer to/(from) Reserves	(409)	1,353	(1,159)	(375)	(2,955)	(2,379)	(1,352)	324			
Building Reserve Ending Balance	2,218	3,571	2,412	2,038	(543)	(2,922)	(4,273)	(3,950)	(2,495)	(997)	544

Assumptions:

2010 proposed fee increase is 6.0%

Residential Permit Activity for 2010-2012 is based on the consultant's estimate

Permit activity in 2013-2015 represents the number of permits required to achieve a positive reserve balance

Average increase in fees of 6.4% (3 year average) used for 2011-2013, 3% increase assumed for 2014-2015

3% cost of living expense adjustment added for 2011-2015

2010 Development Services Operating Budgets & Projections

Planning & Urban Design

Operating Budget (\$ in 000s)

	2006 Actual	2007 Actual	2008 Actual	2009 Budget	2009 Proj.	2010 Proposed Budget	2011 Fcst	2012 Fcst	2013 Fcst	2014 Fcst	2015 Fcst	2016 Fcst
Revenues	4,922	5,176	3,473	3,877	3,030	4,884	5,500	6,337	6,976	7,186	7,401	7,623
Less: Expenditures	4,755	4,698	4,835	5,186	4,538	4,677	4,818	4,962	5,111	5,264	5,422	5,585
Transfer to/(from) Reserves	167	478	(1,362)	(1,309)	(1,508)	207	683	1,375	1,865	1,921	1,979	2,038

Assumptions:

2010 Proposed fee increase is 2.7%

Application activity for 2010-2012 is based on the consultant estimate

Average increase in fees of 6.7% (3 year average) used for 2011-2013, 3% increase assumed for 2014-2016

3% cost of living expense adjustment added for 2011-2016

2010 Development Services Operating Budgets & Projections

Engineering Operating Budget (\$ in 000s)

	2006 Actual	2007 Actual	2008 Actual	2009 Budget	2009 Proj.	2010 Proposed Budget	2011 Fcst	2012 Fcst	2013 Fcst	2014 Fcst	2015 Fcst	2016 Fcst
Revenues	4,324	5,897	3,417	2,802	3,068	3,627	4,030	4,675	5,187	5,342	5,503	5,668
Less: Expenditures	4,236	5,102	5,299	5,307	4,998	5,145	5,199	5,255	5,172	5,327	5,487	5,651
Transfer to/(from) Reserves	88	795	(1,882)	(2,505)	(1,930)	(1,518)	(1,169)	(581)	15	15	16	16

Assumptions:

2010 Proposed fee increase is 4.0%

Application activity for 2010-2012 is based on the consultant estimate

Average increase in fees of 5.7% (3 year average) used for 2011-2013, 3% increase assumed for 2014-2016

3% cost of living expense adjustment added for 2011-2016

Planning & Urban Design and Engineering Reserve Balances (\$ in 000s)

	2006 Actual	2007 Actual	2008 Actual	2009 Budget	2009 Proj.	2010 Proposed Budget	2011 Fcst	2012 Fcst	2013 Fcst	2014 Fcst	2015 Fcst	2016 Fcst
Beginning Balance	-	255	1,528	(1,716)	(1,716)	(5,154)	(6,466)	(6,952)	(6,158)	(4,278)	(2,342)	(347)
Plan. Transfer to/(from) Reserves	167	478	(1,362)	(1,309)	(1,508)	207	683	1,375	1,865	1,921	1,979	2,038
Eng. Transfer to/(from) Reserves	88	795	(1,882)	(2,505)	(1,930)	(1,518)	(1,169)	(581)	15	15	16	16
Ending Balance	255	1,528	(1,716)	(5,531)	(5,154)	(6,466)	(6,952)	(6,158)	(4,278)	(2,342)	(347)	1,707

Reserve Balances Impact

- When the reserves go into a negative balance it requires the Town to cash flow the business operations
- These deficits are cash flowed from the general investment portfolio
- The Town will charge the prime rate to the negative reserve balances as a cost of borrowing
- Currently the prime rate is 2.25%

Next Steps

- **Presentation to Developers' Roundtable on October 21st**
- **Public Meeting on November 3rd**
- **Fee By-Laws to be approved by Council on November 10th**